

CLAREMONT MCKENNA COLLEGE

**PARADOX VS. POTENTIAL:  
MODERN GREEK DEVELOPMENT IN THE NEW MILLENIUM**

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## CHAPTER 1:

### Introduction

“The Achilles [paradox]...affirms that even the runner most famed for his speed must fail in his pursuit of the slowest.”<sup>1</sup> Aristotelian logic asserts that the glory of Ancient Greece condemns modern Greece to failure. This may not be a self-fulfilling prophecy of the Oedipal variety, but it speaks to a greater reality of modern Greece—the Greek paradox. From an outsider’s perspective, Greece has tremendous promise, but from the insider’s perspective, Greece’s performance falls dismally short of expectations. Hence, the Greek paradox of promise versus performance emerges as a distinct societal reality.

Greece. The connotation evokes thoughts of the cradle of Western civilization, the glories of Byzantium and the birthplace of democracy. This is the curse of Ancient history that afflicts modern Greece. The course of modern Greek history, however, plagues the nation with a sense of injustice arising primarily from her 400-year subjugation by the Ottoman Turks. Modern Greece polity is intrinsically connected to historical interests as *being Greek* requires internalization of past events that led to the present position of Greece in the international arena.

Modern Greece grapples with the Achilles paradox, caught between its binding history and its national future. Modern Greek development is inhibited by remnants of her history that comprise national identity and, in turn, influence both national as well as

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<sup>1</sup>Aristotle, “Book IV,” in *Physics* (Chicago: University of Chicago Press, 1984), 9.

international considerations. True, Greece is a nation of great historic achievement yet even more poignantly true is her promising future potential.

Greece's promise originates from her bountiful assets. She boasts an insurmountable historical legacy. Her people share a strong sense of nationality. She is strategically located at the crossroads of East and West. Dual membership in the European Union (EU) and NATO benefits her both economically and strategically. Her stable democratic government now closely aligns itself with Western ideals. As one of the most popular destinations in Europe, Greece reaps the benefit from tourist receipts. Yet Greece's performance today indicates a failure to utilize these resources to their fullest potential.

The first chapter offers a brief overview of some of the defining elements of Greek identity that influence national behavior. In particular, the discussion of those cultural conflicts that characterize modern Greece will provide testimony to the fact that Greece desperately needs to adopt a durable national identity that will facilitate progress in other areas of development.

The discussion in chapter two focuses on the paradox of economic development inherent in the Greek economy. Heightened scrutiny of the fundamental link between economics and politics attempts to reveal the degree to which national interests are reflected in public sector behavior thus necessitating reforms that will render Greece economically viable in the new millennium.

Chapter three continues discussion initiated in the preceding chapter of the interrelationship between international interests and economic interests. Careful examination of the imperatives driving national policy seeks to illuminate the need for a

coherent national policy to address both security concerns as well as international interests.

The final chapter offers a prescription for the future based on the previously established interweaving between economic interests and security interests. Articulation of myriad interrelationships manifested in Greece endeavors to create a framework through which Greece may realize her national as well as international aspirations. Discussion explores the developmental realms of upcoming opportunities as well as current indicators.

This paper attempts to articulate Greece's development potential by demonstrating the influence of paradox over performance in order to pose the all-important question: Can Greece rise to the challenges posed by the new millennium in order to demonstrate her true potential?



## **CHAPTER 2:**

### **Modern Greek Identity**

An informed analysis of a country's behavior should necessarily factor in its culture. Cultural study facilitates a clearer understanding of how people perceive themselves, their environment and the world in which they live.<sup>1</sup> The commonality that exists among these perceptions contributes to the citizens' collective identity. This collective identity, in turn, can be applied on the macro level to help explain why countries behave the way they do. In the case of Greece, this is especially important since the collective Greek identity evolved over the past two thousand years into a complex issue of national importance today. Greek identity may be likened to a fluid entity with a high degree of viscosity; it is receptive to new ingredients yet its overall composition resists alteration of traditional elements. The implications of this identity may be discerned by careful analysis of ingredients taken from two sources of cultural conflict: tradition versus modernity and native versus Western.

In developing countries like Greece, the past is never too far from the present. By contrast, developed nations like the United States view the future as not too far from the present. A poignant vignette of this unique paradigm is demonstrated by the following interaction in which American anthropologist

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<sup>1</sup> Harry C. Triandis, *Culture and Social Behavior* (New York: McGraw-Hill, 1994), 2.

Benjamin Broome questions a Greek civil servant about the influence of history on the future of Greece:

I [Broome] took the three glasses of ouzo we had on our table and arranged them in a line stretching away from him, asking him to indicate which of these glasses he considered to be the present, past and future. As I would have done, he pointed to the middle glass and labeled it the present. However, the glass that was placed to the front he designated the past and the one bringing up the rear he declared the future. When I asked him to explain this arrangement, he replied that the past is in front of us because we can see it clearly, while the future is unknown and lies behind our line of vision. As we move through time, the future becomes the present and eventually part of the past that can be viewed with understanding.<sup>2</sup>

This outlook influences the development of Greece in myriad ways. From an academic standpoint, however, it may be difficult to discern the relative influence that past events hold over present development and, as an extension, future potential of Greece. The majority of literature available on Greece tends to be focused on the Ancient Greece through the fall of Byzantium in 1453. Available literature on Modern Greece, however, rarely accounts for how the past five hundred years of Greek history contributes to Modern Greek identity. The lack of material pertaining to modern Greece inhibits dissemination of information that could, if available, facilitate a clearer understanding of the plight of the modern Greek state.

Available analysis of modern Greece reflects the presence of conflicting paradigms in civil society. The stance of Modern Greek intellectuals “fluctuates between a complete dependency on the ‘glorious past’ (especially that of ancient Greece) and a complete independence from it, which oftentimes [leads] to the

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<sup>2</sup> Benjamin J. Broome, *Exploring the Greek Mosaic* (Yarmouth: Intercultural Press, 1996), 11.

negation of or opposition of the past.”<sup>3</sup> The former extreme emphasizes the past and underestimates the present while the latter restricts itself to the present and ignores the past.<sup>4</sup>

Westerners, and Americans in particular, have very little appreciation of history. The United States places little emphasis on historical accomplishments since its present status as the number one country in the world contributes to a paradigm that is future oriented. One might consider this in terms of the natural rise and fall of civilizations. The U.S., as representative of a civilization, is on the rise and has yet to reach its pinnacle. Americans are driven to test the boundaries of their potential, and their identity as innovators and entrepreneurs is testimony to that fact. America is motivated to enter into alliances and agreements that will secure its future position in the geopolitical realm. Until the U.S. falls from its reigning position, reflecting upon history to gain a present perspective will not seem as beneficial as anticipating potential future opportunities.

Greece, by contrast, is on the opposite end of the historical continuum as the U.S. Greece reached its apex in the 1400s and declined from that point forward, thus contributing to a paradigm that is past-oriented. Unable to escape from the daunting shadow of past glories, Greeks bemoan the plight of their history. Consider an analogy in which a mountain represents civilization and its peak is the climax of that civilization. Greeks and Americans alike focus their attention on the peak. Americans ascend toward the peak motivated by the notion

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<sup>3</sup> George Babinotis, “The Blending of Tradition and Innovation in Modern Greek Culture,” in *Greece Prepares for the Twenty-first Century*, ed. Dimitri Conostas and Theofanis G. Stavroun (Washington D.C.: The Woodrow Wilson Center Press, 1995), 224.

<sup>4</sup> Ibid.

that the best is yet to come. Greeks, however, descend from the peak deflated because the best has been had and only history and culture remain as proof.<sup>5</sup> Thus, Greek expectations for the future come to be defined by both the experiences and standards of the past. The degree to which these expectations are internalized shapes the collective identity of modern Greece.

As an extension of intellectual viewpoints, Greek identity may be characterized in a likewise manner--dependent on or independent of history. The presence of such dichotomous elements precludes common valuation of historical accomplishments as well as failures. If the past is not "viewed with [common] understanding" then this inhibits development of a unifying national paradigm to dictate a common set of expectations for the future. This conflict is analogous to the divergence of traditional and modern elements in Greece.

The Greek: a paradoxical creature, untamed, curious, semi-good, semi-bad, one of uncertain dispositions, selfish and wise-foolish. Pity him or admire him, if you want. Classify him...if you can!<sup>6</sup>

In Greece, perhaps more than most places in the world, there are sharply contrasting patterns of behavior within the individual, the society and, even, the country. This is due, in large part, to the divergent paradigms that advocate adherence to either traditional or modern standards of behavior. Despite a clear progression toward a modern urban way of life in Greece, one must suspend the common notion that societies, and that of Greece in particular, will move forward

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<sup>5</sup> Harry C. Triandis, *Culture and Social Behavior* (New York: McGraw-Hill, 1994), 2.

<sup>6</sup> Benjamin J. Broome, "Palevoume: Struggle and Conflict in Greek Interpersonal Relations," *Southern Communications Journal* 55 (Spring 1990): 261.

in a linear fashion from traditional to modern.<sup>7</sup> Michael Herzfeld, an anthropologist who has conducted several ethnographic studies in Greece, describes Modern Greece as “a country that falls disconcertingly between the exotic and the familiar.”<sup>8</sup> Modern Greek society, then, represents a merger between the traditional and the modern that cannot be readily dissected but remains a defining aspect of Modern Greek identity.

On a collective level, traditionalism is closely linked with religion as ninety-seven percent of the population is Greek Orthodox. The Constitution decrees “the prevailing religion in Greece is the Eastern Orthodox Church of Christ.” The Orthodox Church has played a dynamic political role, especially in the revolution for independence and in shaping the Modern Greek state.<sup>9</sup> In a likewise manner, the church has been subjected to state influence, both in its organization and administration.<sup>10</sup> The pervasiveness of Orthodoxy owes to the Church’s willingness to assist both the Greek people and the Greek state in times of desperation by ensuring cultural continuity. During the Ottoman occupation, for example, the Church preserved Greek music, art, literature and oral history thereby providing Greeks with an enduring sense of unity and ethnic identity.<sup>11</sup> The Orthodox Church and the Greek state evolved in tandem over the course of more than two thousand years of tumultuous history, sharing experiences and developing perspectives that now bind them closely together.

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<sup>7</sup> Benjamin J. Broome, *Exploring the Greek Mosaic*, 36.

<sup>8</sup> Michael Herzfeld, *Anthropology through the Looking-Glass* (Cambridge: Cambridge University Press, 1987), 2.

<sup>9</sup> Benjamin J. Broome, *Exploring the Greek Mosaic*, 52.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

Culture, by nature, may be characterized by continuity.<sup>12</sup> The meaning of continuity within the cultural progression presupposes inter- and intra-blending between traditional and modern, native and foreign societal elements.<sup>13</sup> On the one hand, Greece is a country of almost singular cultural inheritance born in Ancient Greece; but on the other its culture is burdened by four hundred years of slavery under the Ottomans. It is a country that socially and religiously aligns itself with Eastern Europe yet relies heavily on Western European institutions for economic and political support. Thus, it is only natural that a country as paradoxical as Greece should face a national cultural identity crisis.

Greece is situated at the crossroads of Eastern and Western influences that have been diametrically opposed for one thousand years. The extent to which Greece, over the past thousand years, aligned itself with East or West bears directly on the evolving conflict between native and Western elements of cultural identity.<sup>14</sup> The struggle between native and Western influences originates from party lines drawn by religion; the Orthodox East versus the Christian West. After the schism of the Christian church in 1054 AD, the Orthodox Greeks fostered a kinship with their Eastern, and Orthodox, neighbors that remains strong to the present day. A primary source of this newly developed solidarity emanates from the strong anti-Western stance the Orthodox Church maintained since the schism.

The Crusades of the twelfth and thirteenth centuries compounded the animosity already felt by Greeks toward the cultural and political institutions

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<sup>12</sup> George Babinotis, "The Blending of Tradition and Innovation in Modern Greek Culture," in *Greece Prepares for the Twenty-first Century*, 240.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., 241.

associated with the West. The date May 29, 1453 is emblazoned on Greeks' minds as representative of Byzantium's downfall and the Ottomans' rise that initiated a subjugation period lasting 400 years. Most poignantly, Rome's refusal to assist the Greeks in the Muslim Ottomans' siege of Constantinople led to the downfall of the Byzantine Empire. This failure to provide assistance wounded the Greeks deeply and remains a sore point to this day. Thus, native elements in Greece consider the West a threat to national identity rather than a source of inspiration and support.

After a millennia of hating the West, Greece is finally becoming more open to the idea of Western influence. Economically, socially and culturally Greek identity is rapidly becoming more Western in its orientation. To some Greeks, the shift toward the West is synonymous with abandonment of traditional elements of Greek cultural identity while to others it represents a necessary step for the development of an enduring national identity. Diverging opinions may be explained by the relative importance that opposing groups within civil society place on historical events. Traditional culture, characterized by traditional and native perspectives, depends on history to legitimize its isolationist viewpoint. Modern culture, characterized by modernity and Western perspectives, establishes independence from history as its means of legitimizing international integration and cooperation.

The contentious elements of traditional culture and modern culture have become central, permanent features of Modern Greek society thus affecting the

country's development.<sup>15</sup> The traditional culture is profoundly influenced by the anti-Western stance of the Orthodox Church; it is resistant to change, ambivalent of capitalism and the market mechanism and it is decidedly in favor of paternalism and protection.<sup>16</sup> The modernist culture, on the other hand, is solidly grounded in political liberalism that supports a pro-Western stance; it looks to the advanced countries of the West for guidance and assistance in implementing policies.<sup>17</sup> Yet culture is continuous and blending of conflictual elements is necessary.

In the search for a new national cultural identity, Greece must combine the accomplishments of history with a vision for the future.<sup>18</sup> In this manner, the two influential cultural pairs--tradition and modernity, native and Western— must merge to create a new national identity. This merger will neither abandon history nor reject the present nor ignore the future. It will provide inspiration for the future yet maintain contact with reality. It will facilitate awareness of weaknesses and problems while also encouraging new goals to be set for overcoming those problems.

Greece cannot anticipate the shape of her emerging national identity, however, because it will likely come about following development in other areas. By focusing national attention on concrete issues of national importance like economic and international development, Greece may indirectly affect the

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<sup>15</sup> Andreas Moschonas, "European Integration and Prospects of Modernization in Greece," *Journal of Modern Greek Studies* 15 (February 1997): 348.

<sup>16</sup> Ibid., 349

<sup>17</sup> Ibid.

<sup>18</sup> George Babiniotis, "The Blending of Tradition and Innovation in Modern Greek Culture," in *Greece Prepares for the Twenty-first Century*, 242.



maturation of her national identity. Given that, to a large degree, identity is shaped by the perceptions and expectations held by others, it follows that if Greece were to enhance her international reputation so too would she be re-affirming the emergence of a new national identity.

In the meanwhile, Greek leaders should attempt to shift national considerations away from over-identification with divisive historical issues and instead more toward identification with integrative incentives that profoundly impact future national viability. Rather than promoting the historical legacy of Greece, renewed attention should be paid to not only preserving but communicating Greece's cultural potency and continuity to the world.

### **CHAPTER 3:**

#### **Greek Economic Development**

A fundamental paradox is apparent in the Greek economy: Greeks are industrious and capable people who are successful worldwide as merchants, entrepreneurs, scholars, politicians and scientists yet the Greek economy performs poorly. It is chronically backward when compared to western European economies and it is even outperformed by the southern European economies of Spain and Portugal.<sup>1</sup> Greece fails to attract the confidence of foreign investors. The benefits associated with EU monetary support have not been realized in the developmental areas. These shortcomings reflect the fact that individual abilities cannot be equated with collective performance due to intervening variables that impede economic development.

Throughout much of its modern history, the Greek economy has been in a state of stagnation and even crisis due primarily to internal developments having external implications.<sup>2</sup> In seeking to establish her internal viability, Greece looked beyond her borders to foster external credibility as a new nation. During the nineteenth century Greece was saddled with debts left over from the revolutionary period of the 1820s. This period marked a relentless dedication to the *Megali Idea* under which the borders of Greece continually sought expansion to include all those Greeks living in foreign lands. The implications of such an irredentist mission left her borders unsettled, thereby

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<sup>1</sup> Stavros B. Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, ed. Graham T. Allison and Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 39.

<sup>2</sup> Ibid., 41

perpetuating conflict with neighboring countries. Greece finally acquired her permanent frontiers in the twentieth century, yet crises continued to thwart economic development. In addition to the two world wars that engulfed all of Europe, Greece also endured the Balkan wars in the 1910s; the Asia Minor crisis and the ensuing massive influx of refugees that doubled the population in the 1920s; and the civil war in the 1940s. Intervals of peace provided little respite for the Greek economy as other obstacles remained as bulwarks to economic growth, namely geography and history.

In 1974, politics, geography, history and economics came head to head in one of the greatest debacles in modern Greek history. Politically, the climate improved as the military dictatorship that ruled Greece for seven years toppled and democracy was reinstated. Geographically, Greece became embroiled in a conflict with Turkey over the fate of Cyprus thus bringing strife closer to the already devastated mainland. Historically, Greek animosities toward the West were stirred by U.S. support of the military junta as well as U.S. indifference to the situation in Cyprus. Economically, Greece was left reeling from the effects of the first oil crisis more so than other countries worldwide.

The newly elected Prime Minister, Kostas Karamanlis, faced the daunting task of simultaneously resurrecting the economy as well as easing political tensions through the establishment of a solid democratic regime that would assuage both internal (domestic) and external (international) concerns. The government endeavored to find an integrative force that would restore democratic institutions and foster long-term economic interests for a very politically and economically unstable Greece. Abandoning the nationalist isolationist rhetoric employed by previous governments as a means of stabilization,

Karamanlis turned to the unifying power of the European Union to restore the country to normalcy. In making this decision, Karamanlis anticipated EU membership would hold two important implications for Greece. First, the democratic thrust of EU policies, as well as the democratic nature of its members, would stabilize Greece's political environment. Second, the integrated economic policy of the EU would both foster recovery and augment Greek economic development. Thus, the years following 1974 marked the first of four phases of EU membership that may be characterized as "preparatory and enthusiastic," culminating with the ratification of the accession treaty in 1981.<sup>3</sup>

Unfortunately, relations between the EU and Greece soured with the change of government in 1981. The newly elected and highly enigmatic Prime Minister Andreas Papandreou derived his political origins from the traditionalist camp that opposes Western influence.<sup>4</sup> His charismatic nature drew a large constituency that, irrespective of the soundness of his logic, supported his views as well as his approach. The second phase of tension in EU-Greek relations came to a close in 1989 with the election of pro-Western political elements in 1990. This third phase of the relationship proved to be the most intimate as the political leadership matched its objectives to those of the EU.<sup>5</sup>

The fourth and final phase in the EU-Greece relations begins in 1993 and stretches into the present. Prime Minister Papandreou reclaimed power in 1993 and two aspects of this phase indicated an initial reversion toward the second phase of EU-Greece

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<sup>3</sup> "Greece and the European Community," Member State Perspective Report. Pittsburgh: University of Pittsburgh. Database on-line. Available from [www.pitt.edu](http://www.pitt.edu).

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

relations characterized by hostility.<sup>6</sup> First, Papandreou's earlier mistreatment and distrust of the EU failed to capture the confidence of EU leaders thus making them pessimistic about his return to power.<sup>7</sup> Second, Greece was embroiled in conflicts in Yugoslavia, Macedonia and elsewhere in the Balkans that created psychological and political complexes in the minds of Greeks thereby aggravating isolationist and traditionalist tendencies in public opinion.<sup>8</sup> The departure of Prime Minister Papandreou from power in 1996, however, paved the way for the current Prime Minister Kostas Simitis who is younger, less ideological, less nationalistic and more pro-Western<sup>9</sup> and, thus, greatly in favor of normalizing EU-Greece relations.

The turbulent evolution of Greece's position within the EU reveals a fundamental link between politics and economics. Greek politics tend to be heavily influenced by nationalist concerns that are intrinsically linked to external threats. Economic policy, in turn, is promulgated in response to those threats thereby making it more susceptible to external changes. Thus, integration into an international economic system that must, by nature, consider external variables rendered the economy more vulnerable in periods of international conflict. For example, the integration of the Greek economy in the EEC in 1974 exposed it more directly to the 1976 oil shock and, therefore, affected it more drastically.<sup>10</sup>

To a great extent, this causality may be explained by the Greek perception that economic power is highly fungible. In other words, economic power translates into

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<sup>6</sup> "Greece and the European Community," Member State Perspective Report. Database on-line. Available from [www.pitt.edu](http://www.pitt.edu)

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

<sup>10</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, ed. Graham T. Allison and Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 43.

power in other areas; as applied to Greece, economic success means security.<sup>11</sup> This causal relationship indicates two of the greatest obstacles that Greece must overcome in the coming millennium. First, Greece must seek to eliminate security concerns that hinder the economy's long-term development. Second, with economic improvement Greece must invest in regional economic development that will benefit both her economic and international aspirations in the long-run.

1981 marks a watershed year in which Greece, and others in Europe, delved into the international integration process whose ramifications were felt economically and politically. The integration process symbolized the country's incorporation into a transnational European institution that would assist Greece in making the necessary reforms to achieve economic viability and, as an extension, national security. Namely, the process required Greek social, political and economic structures to undergo modernization and reform to the extent necessary to align herself with other member countries.<sup>12</sup> Integration fundamentally transformed both the European and the international environment thus illuminating structural defects in Greece's socioeconomic development model, as compared to her EU counterparts. The realization of her structural weaknesses called attention to understanding *why* underdevelopment afflicted Greece.

Theories of international economics posit that Greece's small size greatly impacts her development potential. The combination of a small population and low incomes greatly hampers a country's industrial development, which is a critical input for

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<sup>11</sup> Kalypso Nicolaidis, "What is the Greek Paradox?," in *The Greek Paradox*, ed. Graham T. Allison and Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 9.

<sup>12</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1900s," in *The Greek Paradox*, ed. Graham T. Allison and Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 30.

economic growth. Economic theory also holds that countries like Greece will require an exceptional combination of factors to break out of these restraints.<sup>13</sup> Successful export development, then, appears a necessary prerequisite to economic growth.<sup>14</sup> As a general rule, small developing countries find manufacturing exports more difficult to produce on a large scale than non-industrial exports. Greece is no exception as her primary export items are agricultural goods and services.<sup>15</sup> Attempts to revitalize export industries, therefore, rely heavily on investment in the services sector, namely in the area of tourism which demonstrates tremendous growth potential. Further, since the small domestic market has traditionally favored light industry while discouraging more profitable “intermediate” or “heavy” industry,<sup>16</sup> the climate is ripe for infrastructure projects that will both enhance industry development as well as tourist development. Establishing necessary modern infrastructure will facilitate the transport of industrial goods to more lucrative regional markets. Additionally, modern infrastructure would benefit Greek citizenry while simultaneously enabling Greece to access revenues generated by mass tourism appeal.

Trade theory supports the notion that Greece’s geographic location inhibits her potential for developing trade relationships that would otherwise spurn economic growth. Her position in the Southeast Mediterranean is a long way from the large European markets. This, in turn, makes it difficult for Greek products to penetrate the Western European countries’ markets putting Greece at a disadvantage compared to other EU

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<sup>13</sup> Stavros Thomadakis, “The Greek Economy: Performance, Expectations and Paradoxes,” in *The Greek Paradox*, 41.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

members.<sup>17</sup> Further, Greece's natural trade zone to the north has been isolated throughout the postwar period by boundaries coinciding with the iron curtain.<sup>18</sup> Though Yugoslavia operated as a passageway through that frontier, its status as a war zone in the 1990s precluded its use as a trade route. Greece's natural eastern trade zone has been rendered obsolete by war in the Middle East as well as by Turkey's status as Greece's major military and political adversary. Thus, Greece's economic under-development may be attributed to the fact that she enjoys fewer economic contacts with, and benefits from, her neighboring countries than other EU members.<sup>19</sup> Reversing the underdevelopment trend, then, would entail establishing normalized trade relations with neighboring countries so as to allow Greek exporters to gain access to regional markets.

Theories of international economics and trade aside, Greece's underdevelopment can most plausibly be explained by the public sector's opposition to reform. The state controlled sector includes the civil service and those powerful public utilities that enjoy monopolistic or oligopolistic status in the economy.<sup>20</sup> Examples of such entities include the Public Power Corporation, Greek Telecom and Olympic Airways of which close to 90 percent of the shares are under direct or indirect state control.<sup>21</sup> The public sector's resistance to reform arises from fear posed by the prospect a shrinking state sector. Specifically, reforms designed to liberate the state and market in Greece from the traditional hindrances of antiquated structures and practices threaten those individuals

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<sup>17</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 43.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1900s," in *The Greek Paradox*, 30.

<sup>21</sup> Ibid.



with a vested interest in traditional economic practices.<sup>22</sup> Individuals employed or protected by the public sector exemplify groups who benefited from the traditional role of the public sector in Greek life. These traditionalists must decide to forego personal gain in favor of reform for the sake of national economic viability. Fortunately, the opposing reformist camp has been successful in partially dismantling those traditional belief structures as reflected by the wide recognition that the Greek economy's performance falls short of its potential.<sup>23</sup>

The internal layout of an economy is an important determinant of (or constraint on) its performance, thereby necessitating examination of those structural features that have implications for economic performance.<sup>24</sup> To this end, the primary focus should consider two structural elements; first, the degree of openness the economy has toward foreign trade; and second, the relative weight of its industry.<sup>25</sup> This rubric of examination reveals two things about Greece; first, the economy is open to trade; and second, Greece is considerably less industrialized than her other EU partners, including Spain and Portugal.<sup>26</sup>

In the early 1980s Greek openness to international trade showed a marked increase reflecting the new opportunities created by Greece's accession into the EU. The reciprocal nature of international trade, however, has yet to positively impact economic development as Greek products have failed to penetrate the EU market to the same

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<sup>22</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1900s," in *The Greek Paradox*, 31.

<sup>23</sup> Ibid.

<sup>24</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 49.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid.

degree as EU products penetrate the Greek market.<sup>27</sup> Additionally, lack of industrialization inhibits the economy's capacity to absorb technology and generate those advances in technology that might otherwise enable Greek products to penetrate the larger European market.<sup>28</sup> The existing correlation of structural features and performance data harkens to the aforementioned theories of international economics and trade insofar as a "small, open economy with low industrialization is quite sensitive to economic cycles and events in the international sphere."<sup>29</sup> In other words, Greece cannot engineer and sustain economic growth on her own, but requires external support from a stable and prosperous international economic environment.

Traditionally, the state has always played a significant role in managing the Greek economy. In fact, the two periods of substantial economic growth correspond directly with periods of increasing state intervention. First, following World War II heavy regulation was deemed necessary as a means of normalizing the ensuing chaos of the period.<sup>30</sup> Second, the "economic miracle" of the 1960s evolved under very strict government regulation of consumer prices, interest rates, credit and investment selection.<sup>31</sup> The temporal validity of these regulatory mechanisms remains undisputed yet their erosion over time into mechanisms of political favoritism greatly undermines their credibility. The protectionist and isolationist slant of state intervention corresponds nicely with traditionalist thinking that permeates Greek society thereby revealing, to a large degree, why old practices persevere. Further, the lethargy characteristic of both

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<sup>27</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 49.

<sup>28</sup> Ibid., 50.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid., 51.

<sup>31</sup> Ibid., 43.

deregulation and privatization processes arises from the resistance where the stakes are highest, in the public sector.<sup>32</sup>

The static nature of structural development efforts speaks to the fact that Greece cannot, alone, foster the necessary pre-conditions for economic vitality. The objective environment created by the EU provides external stability and prosperity, both considered pre-requisites to Greek economic growth. The environment imposed on Greece by entry into the EU, therefore, makes structural reform a non-reversible policy option for the country's development.<sup>33</sup> The EU's prescription for development, however, requires a heightened sense of awareness that *reform is inevitable*, despite the existence of groups negatively affected by structural changes, thus lending legitimacy to the developmental process.<sup>34</sup>

The Greek public sector, as suggested earlier, impacts both economic performance and structure and, as such, is often "demonized as the main culprit of Greece's economic woes."<sup>35</sup> In response to this negative classification, state credibility and legitimacy would benefit from a qualitative transformation that includes withdrawal from direct involvement in both economic production and regulation.<sup>36</sup> This is not to say, however, that the economy would necessarily benefit from total state withdrawal. Rather, the state should be flexible to selectively intervene either in matters that encourage more integrated logic or in situations that enhance the Greek economy's

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<sup>32</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1900s," in *The Greek Paradox* 32.

<sup>33</sup> Ibid., 33.

<sup>34</sup> Ibid.

<sup>35</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 51.

<sup>36</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1900s," in *The Greek Paradox*, 34.

competitiveness.<sup>37</sup> To this end, the state must adopt both concise and coherent privatization and deregulation policies and, as well, must ensure their consistent implementation in order to enhance state credibility and legitimacy.

In the latter half of the 1990s the public sector underwent considerable restructuring. The ramifications of these changes, however, may not yet be revealed by available economic performance statistics.<sup>38</sup> Some examples of recent reforms include, substantial deregulation, extensive privatization and infrastructure development. Available data indicates a positive trend toward the stabilization of both inflationary trends and the level of public debt.<sup>39</sup> The 1993 election of Prime Minister Kostas Simitis inaugurated a new reformation era spearheaded by PM Simitis' leadership whose views regarding potential development posit the following:

In the competitive conditions of the European Union, we view competition not as a threat but as a development tool. In the environment of fast change, frequent realignment, and unforeseen evolution, the concept of a static, permanent and unchanged comparative advantage loses its practical meaning. Comparative advantage in the modern environment is dynamic and must be earned. The comparative advantage must not be taken for granted. It is always under formulation and should be conquered. The state should secure the conditions under which competition among sectors, activities, and enterprises will promote those which can better meet competition.<sup>40</sup>

Following his own rhetoric, PM Simitis embarked upon a mission to develop a credible privatization policy for public sector enterprises that would ultimately seek to enhance their competitiveness and efficiency. In the spring of 1996 policy transformed into action with the introduction of shares of public sector utilities onto the Athens Stock

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<sup>37</sup> Nikoforos Diamandoros, "Greek Politics and Society in the 1990s," in *The Greek Paradox*, 34.

<sup>38</sup> Ibid.

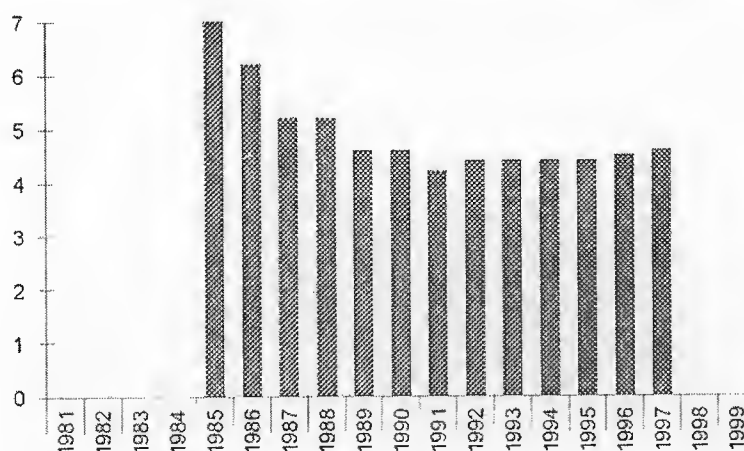
<sup>39</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 55.

<sup>40</sup> Costas Simitis "Economic Trends," in *Doing Business in Greece*, ed. Eugene T. Rossides, Serge B. Hadji and James L. Marketos (Washington D.C.: American Hellenic Institute Foundation, 1996), 4.1-2.

Exchange.<sup>41</sup> Greek telecom allowed strategic investors to purchase up to 49 percent of its shares and Olympic Airways offered between 50 and 60 percent of its shares.<sup>42</sup> The emerging consensus that economic stability should supplant factional interest differences in Greek polity reflects heightened collective awareness of the prerequisites to economic development.

Yet obstacles remain that inhibit economic stability, namely, Greece's geostrategic location. Greece is surrounded by antagonism and strife in neighboring countries which, in turn, acts as an indirect obstacle to its economic growth. Due to adjacent areas of conflict, namely the Middle East and Eastern Europe, Greece allocates a large percentage of its budget to military expenditures. Greece spends an estimated 5.5 to 7 percent of its gross domestic product (GDP) on its military, more than any other European country.<sup>43</sup>

Military Expenditures (% GDP)



<sup>41</sup> Assistant to the Finance Minister of Greece Georgos Politikas, interview by author, 19 September 2001, telephone conversation.

<sup>42</sup> Interview with Assistant Finance Minister.

<sup>43</sup> Stavros Thomadakis, "The Greek Economy: Performance, Expectations and Paradoxes," in *The Greek Paradox*, 43.

The previous graph demonstrates the overwhelming proportion of the GDP allocated toward defense spending.<sup>44</sup>

This is a major point because if only half this amount had been devoted to encouraging domestic investment then Greece's long-term investment rate would have exceeded, rather than fell short of, the European average during the 1960-1993 interval.<sup>45</sup> The decision to continue expending a large proportion of GDP on defense is directly related to the perceived fungibility of economic power vis-à-vis security. As defense expenditures are the single most important contributor to Greece's external debt, however, it would seem that the opposite is true. That is, security investments are not highly fungible vis-à-vis economic development, but rather are inhibitive.

The elimination of political-military bipolarity by such multilateral institutions as the EU will likely intensify economic competition between the three dominant economic powers: the United States, Europe and Japan.<sup>46</sup> Countries will be unable to offset economic inefficiency by substituting the strategic-military advantages offered by their geostrategic location. Thus, achieving economic viability becomes all the more important to Greece in the coming millennium. Economic productivity and international development represent two decisive variables that transcend the traditionalist versus modernist dichotomy present in modern Greece.<sup>47</sup> That is, these environments are intrinsically linked to the Greece's future potential to stay abreast with the accelerated pace of EU integration and, as an extension, a related security

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<sup>44</sup> World Development Indicators Index. World Bank, 2001. Database on-line. Available from Claremont Colleges Website.

<sup>45</sup> Dimitri Conostas, "Challenges to Greek Foreign Policy," in *Greece Prepares for the Twenty-first Century*, ed. Dimitri Conostas and Theofanis G. Stavrou (Washington D.C.: The Woodrow Wilson Center Press, 1995), 77.

<sup>46</sup> Ibid., 75.

<sup>47</sup> Ibid., 71.

arrangement.<sup>48</sup> Thus, the elaborate interweaving between economic and security interests represents a significant challenge to be addressed by Greece in the coming millennium.

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<sup>48</sup> Dimitri Conostas, "Challenges to Greek Foreign Policy," in *Greece Prepares for the Twenty-first Century*, 76.

## CHAPTER 4:

### Greece's Emerging Role in the International Community

Since Greece's 1821 declaration of independence, astute diplomacy has been as important as military stealth in defense of national interests. Realizing the import of diplomatic ties in the geopolitical sense, however, did not really begin until Greeks re-discovered their democratic origins in 1974. The difference between the position of Greece during the 19<sup>th</sup> and 20<sup>th</sup> centuries and that of Greece in the 21<sup>st</sup> century reflects her sheltered "nationhood" that, in turn, impacts her ability to establish viable relations with other countries. During much of the 19<sup>th</sup> century foreign patrons exerted their influence over Greek politics, so much so that political parties came to be referred to as "British," "French," or "Russian."<sup>1</sup> Greece of the 20<sup>th</sup> century, especially during the inter-war period, was characterized by the political differences between the royalists (Western powers) and the Venizelists (nationalists).<sup>2</sup> The 21<sup>st</sup> century demonstrates a marked increase in national autonomy most notably exemplified by the Greece's 1974 political maturation into a stable democratic state. Once this occurred, Greece was granted admission to elite Western diplomatic circles that promised numerous benefits without the cost of national autonomy.

In this age of interdependence, ally choices and alliance structures, have both proven vital considerations in defending Greek national interests. The imperatives

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<sup>1</sup> Monteagle Stearns, "Greek Security Interests," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 66.

<sup>2</sup> Ibid.



driving defense strategy arise from Greece's geostrategic location that places her in the vulnerable position of being a Mediterranean as well as Balkan country.<sup>3</sup> The imperatives driving alliance formation are predicated on the notions that economic power is synonymous with security and, further, that Greece cannot achieve economic and political viability without the assistance of a stable international environment. Thus, Greece is faced time and again with the debate between traditionalists who advocate isolationism and reformists who espouse the virtues of European integration, both of which act as a means of achieving national security.

From the beginning, accession to the EU has been considered a means of fostering political stability and economic development. "Consolidation of a democratic regime was thought to be the ultimate outcome of a process of gradual change in the economy and in the political culture of Greek society and the Greek polity."<sup>4</sup> In this context, two historically defined and socially conditioned paradigms emerge that both address and influence the process of modernization for Greece. These paradigms correspond directly to the views held by the traditionalist vis-à-vis the reformist camps.

Radical development theory is the view most often held by traditionalists, while reformists tend to adhere to the modernization theory.<sup>5</sup> The theory of radical development has Marxist connotations, relying upon the assumption that "in a world of social relations, modernization theory fails to take into account that Western

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<sup>3</sup> Monteagle Stearns, "Greek Security Interests," in *The Greek Paradox*, 67.

<sup>4</sup> Andreas Moschonas, "European Integration and Prospects of Modernization in Greece," *Journal of Modern Greek Studies* 15 (February 1997): 348.

<sup>5</sup> *Ibid.*, 349.

modernization was created principally through the midwifery of European imperialism.”<sup>6</sup> In other words, traditionalists are wary of the influence of foreign powers thus making modernization synonymous with external hegemony. Modernization theory, on the other hand, has Weberian connotations that rely upon the assumption that “the gradual move from tradition to modernity, wherein social development is understood as a process of functional-structural differentiation of roles and institutions as society moves from simple to complex.”<sup>7</sup> Modernization, then, is synonymous with Westernization which, in turn, leads reformists to advocate an integrated national or supranational political system.<sup>8</sup> The apparent disparity between these two theories of modernization affects both the content and the process of socioeconomic and political development in Greece.

Greece’s position within the greater European context was fundamentally altered by the changing balance of power in Europe. In the new Europe, predicated on the notions of political and economic cooperation, the isolationist and protectionist tendencies of the traditionalist camp acted as bulwarks to Greece’s development. Reformists like Prime Minister Kostas Simitis argues, however, that an explanation of Greece’s underdevelopment should focus on the degree of national policy’s orientation toward vital interests and objectives.<sup>9</sup> PM Simitis bolsters his argument by further pointing out that “in the current epoch national strategy cannot be limited to dealing

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<sup>6</sup> Andreas Moschonas, “European Integration and Prospects of Modernization in Greece,” *Journal of Modern Greek Studies*, 349.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.,352.

solely with national matters but must also aim to upgrade the country's position within the international community.”<sup>10</sup>

Presently, traditional or nationalist interests compose the lesser portion of national strategy while reformist or international interests compose the greater. To this end, PM Simitis calls attention to the need for a coherent national strategy that accounts for the fact that the EU is nearing completion of economic integration and moving toward political integration.<sup>11</sup> These developments, in turn, will redefine the conditions of international competition and, further, will replace the nation-state with international institutions. Thus, Greece's national interests will be served by both cooperation to upgrade her position in the international community as well as collaboration with other EU member partners to redefine the “rules of the game”.<sup>12</sup>

Greece's geostrategic location imposes the need for strong national defenses, yet no amount of defense spending can provide the margin of security and deterrence afforded by a system of alliances. An effectively functioning NATO, for example, can bolster Greek security against external threats while an effectively functioning EU can strengthen the country's economic and political well-being against internal threats.<sup>13</sup> Thus, Greece possesses the capacity to wield two types of power, hard power and soft power. The ability to impose her will on others through force describes hard power while

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<sup>10</sup> Andreas Moschonas, “European Integration and Prospects of Modernization in Greece,” *Journal of Modern Greek Studies*, 352.

<sup>11</sup> *Ibid.*, 353.

<sup>12</sup> *Ibid.*

<sup>13</sup> Monteagle Stearns, “Greek Security Interests,” in *The Greek Paradox*, 67.

soft power constitutes the capacity of Greece to persuade others to want what she wants.<sup>14</sup>

Under these classifications of power, the exorbitant level of defense expenditures indicates Greece's fatalistic preoccupation with the balance of hard power in the region. Rather, Greece should concentrate on the tremendous advantage she holds over her Balkan and Mediterranean neighbors in soft power resources. The viability of the Greek economy as a component of national security is no less important than the credibility and effectiveness of her alliances.<sup>15</sup> Thus, in order to retain the support of her allies in times of real need, Greece's primary focus should be on assuring that international institutions take her role seriously so she can contribute to their overall viability.

Unfortunately, Greece faces a credibility gap with her EU allies caused by the divergence between those goals and values shared by EU member states and those held by Greece. "Closing this credibility gap requires a clear vision of where Greece's real interests and future lie."<sup>16</sup> Despite the fact that Greek security interests lie to the north, the south and the east, Greek foreign policy should be oriented toward the West. By adopting a far-sighted, "team player" strategy that is proactive in the area of European integration, Greece may hope to regain lost diplomatic ground.<sup>17</sup>

Further, Greece needs to shift her language in the international arena away from emphasis on Greek "entitlements" and "rights" and toward that of articulating Greek

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<sup>14</sup> Joseph S. Nye, Jr., "Greece and the Balkans: A Moment of Opportunity," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 148.

<sup>15</sup> Monteagle Stearns, "Greek Security Interests," in *The Greek Paradox*, 68.

<sup>16</sup> F. Stephen Larrabee, "Greece and the Balkans: Implications for Policy," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 109.

<sup>17</sup> Basilios E. Tsingos, "Greece between Yesterday and Tomorrow," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 98.

interests.<sup>18</sup> The “entitlement” or “rights” attitude proves detrimental to national interests because it focuses attention on what Greece deserves based on history, culture and/or even Ancient Greek law, thereby perpetrating the curse of history. In reality, however, the international arena is far more receptive to an interest-based reason that is bolstered by rights or entitlements, but not the converse.

In the realm of policy, Greece must move beyond the decision-making paradigm of the past 15 years. The highly centralized decision-making power of the Prime Minister resulted in foreign and defense policies promulgated without proper deliberation, contingency planning or implementation strategies.<sup>19</sup> These short-term, ad hoc policy decisions failed to account, however, for long-term impact. Greek policies demonstrate undercurrents of insecurity, characterizing them as reactive since their main objective is the immediate prevention of undesirable outcomes.<sup>20</sup> A more proactive (and effective) policy approach would seek to promote desirable outcomes by utilizing soft-power resources available to secure nations like Greece.

Greece’s political integration with Western Europe and her economic integration into the global marketplace represents three “bastions of soft power resources.”<sup>21</sup> First, Greece is the only EU member bordering Balkan countries giving her great influence over states aspiring to eventual EU membership. Second, her membership in NATO represents an assurance of continental security. Third, Greece occupies an enviable position as compared to Balkan and Mediterranean neighbors in that she boasts assets

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<sup>18</sup> Basilios E. Tsingos, “Greece between Yesterday and Tomorrow,” in *The Greek Paradox*, 99.

<sup>19</sup> Alexis Papahelas, “Greece: An Agenda for Reform,” in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 105.

<sup>20</sup> Montea Stearns, “Greek Security Interests,” in *The Greek Paradox*, 70.

<sup>21</sup> Joseph S. Nye, Jr., “Greece and the Balkans: A Moment of Opportunity,” in *The Greek Paradox*, 148.

including: economic vitality, military and political alliances, stable democracy, cultural continuity and an impressive historical legacy.<sup>22</sup> Given the advantages Greece holds over her neighbors, it follows that Greece should endeavor to become a beacon of stability and economic prosperity in the Balkan and Mediterranean regions.

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<sup>22</sup> Joseph S. Nye, Jr., "Greece and the Balkans: A Moment of Opportunity," in *The Greek Paradox*, 148.

## **CHAPTER 5:**

### **Future Implications for Greek Development**

As discussed in earlier chapters, the interweaving of economic and security interests poses a significant challenge to Greece. Economic success translates into security but security does not translate into economic success. Since the concepts of economic success and security are not mutually inclusive, Greece must prioritize her interests. In analyzing the nature of and motivations behind Greek interests with respect to the economy and national security, three interrelationships emerge that articulate the 21<sup>st</sup> century's challenge: Can Greece effectively navigate though the conjoined issues of security, international credibility and modernization in order to arrive at her true potential?

Interregional relations have proven to profoundly impact Greek economic and security concerns. Greece has been virtually unsuccessful in past attempts to penetrate neighboring markets in the Balkans and the Mediterranean. As a result of regional conflicts in these areas, Greece enjoys fewer economic contacts and trade benefits from her neighboring countries than other EU member countries. Further, the perception of Turkey as a continual threat to national security results in exorbitant defense expenditures by the Greek government that come at the expense of economic development. Thus, from both an economic and security perspective it would behoove the Greek government to normalize regional relations to benefit the long-term stability and economic viability of

the country.

The initial step in normalizing relations entails constructing a framework through which the issues may be understood. The advantages of a framework approach over the ad-hoc approach used in the past by the Greek government<sup>1</sup> are threefold. First, it offers a comprehensive view of current relations, identifying both divisive and unifying issues.<sup>2</sup> Second, the framework approach differentiates between short and long term interests and includes steps to achieve both in tandem.<sup>3</sup> Third, it accounts for the positive impact that multiple international actors may have in resolving the issue.<sup>4</sup> The construction of a durable framework entails three phases: diagnosis, stabilization and improvement.<sup>5</sup> If the Greek government were to adopt policies based on a coherent framework the ramifications would be widely felt.

Greece has an obvious stake in Balkan stability. In the wake of the disintegration of Yugoslavia, the crisis in Kosovo, and the conflict over Macedonia the Balkans require a new interregional balance of power.<sup>6</sup> As a Balkan state and the only country in the region with dual membership in the EU and NATO, Greece is ideally situated to assume a leadership role in normalizing relations.<sup>7</sup> Additionally, former President Kostas Karamanlis points out geography places Greece in a unique position to assist in the European integration of the Balkans, thereby bringing future economic prosperity to the

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<sup>1</sup> Alexis Papahelas, "Greece: An Agenda for Reform," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 105.

<sup>2</sup> Nikolaos Zahariadis, "A Framework for Improving Greek-Turkish Relations," *Mediterranean Quarterly* 11 (April 2000): 101.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Ibid.

<sup>6</sup> Monteagle Stearns, "Greek Security Interests," in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 72.

<sup>7</sup> Ibid.



region. Given her strong historical background, Greece is poised to astutely navigate the intricacies of “largely historical issues that involve age-old issues of nationalism, peace and security.”<sup>8</sup>

A framework designed to foster regional recovery and development would entail normalizing Balkan relations through the three aforementioned phases. The initial diagnosis stage defines the issue geographically through history to arrive at the conclusion that “Existing borders must remain intact.”<sup>9</sup> The historical perspective on the region reveals that any redrawing of boundaries would have a destabilizing effect that, in turn, could provoke further conflict.<sup>10</sup> A proactive foreign policy should articulate to the international community the potential causes of conflict that could arise from Kosovo’s de facto independence.<sup>11</sup>

The next stage entails stabilization to which “political and economic reform are crucial elements.”<sup>12</sup> Divisive nationalist concepts must be supplanted by political and economic reforms to pave the way for a peaceful and prosperous future. Thus, to prevent future confrontations like Kosovo a proactive economic policy should encourage economic growth for the purpose of bridging ethnic differences.<sup>13</sup>

The final stage seeks to improve regional relations by incorporating outside actors, like the EU. Regional recovery and development, in turn, may be accelerated by offers of such “carrots” as “EU planning, funding and coordination.”<sup>14</sup> At the end of this

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<sup>8</sup> Kostas Karamanlis, “Greece: The EU’s Anchor of Stability in a Troubled Region,” *The Washington Quarterly* 23 (February 2000): 77.

<sup>9</sup> Ibid., 79.

<sup>10</sup> Ibid.

<sup>11</sup> Ibid., 78.

<sup>12</sup> Ibid., 79.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid., 81.

process, Greece stands to benefit the most economically from normalized relations as economic costs of trade and tourist disruptions imposed a heavy price on the Greek economy.<sup>15</sup> The most positive and innovative contribution Greece could make toward restoring her international credibility would be “to become point-man for the EU in the Balkans.”<sup>16</sup> By enhancing her credibility within the EU, Greece is more capable of accessing “soft power” resources to exert influence over another regional threat, Turkey.

Given the proximity of Greece to her historical arch-enemy Turkey, normalizing relations between the two countries would direct government spending toward revitalizing profitable endeavors, like tourism.<sup>17</sup> In the post-Cold War era the Communist threat has subsided while the Turkish threat has risen.<sup>18</sup> Turkey is like a “phantom menace” from Greece’s dark past that perpetually resurfaces over the long course of history and continues to haunt policymakers to this day. This is apparent in the fact that over the next five years, “Greece is poised to pump \$15 billion into arms purchases.”<sup>19</sup> This is money Greece can ill afford to spend, especially considering the “phantom” nature of the Turkish threat, since under the EU convergence criteria the sizable defense budget has come at the expense of everything else.<sup>20</sup> In particular, traditionalistic and nationalistic resistance to international integration gains social momentum since sacrifices made by the Greek people to enter the EU have not yet

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<sup>15</sup> Joseph Nye, “Greece and the Balkans: A Moment of Opportunity,” in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 147.

<sup>16</sup> Stephen Larrabee, “Greece and the Balkans: Implications for Policy,” in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 2.

<sup>17</sup> Nikolaos Zahariadis, “A Framework for Improving Greek-Turkish Relations,” *Mediterranean Quarterly*, 99.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid., 100.

<sup>20</sup> Ibid., 99.

produced visible results.<sup>21</sup> Thus, if defense expenditures were slashed due to warmer Greek-Turkish relations then more money could be allocated toward productive uses. Once the Greek people begin to realize economic returns of their sacrifice, this will lend greater legitimacy to the government as well as to the notion of European integration.<sup>22</sup> The “hard power” (military) and “soft power” (EU, NATO) capabilities of Greece uniquely qualify her, over Turkey, to make the initial overtures toward normalized relations.<sup>23</sup>

A framework designed to relax tensions between Greece and Turkey would normalize relations through the three previously outlined phases. The first phase defines the issue as “a war of attrition”<sup>24</sup> that is fueled by the perception that “Greece’s win is viewed as Turkey’s loss and vice-versa.”<sup>25</sup> Historical records reflect a consistent trend of accusations exchanged between Greece and Turkey that gains for one always seem to come at the expense of losses for the other.<sup>26</sup> A proactive strategy for rapprochement should seek to dispel historical biases through a comprehensive articulation of the losses mutually incurred by Turkish-Greek tensions.<sup>27</sup>

The next phase moves toward stabilization, requiring acknowledgement by both countries, and their citizens, that “there are no winners in this case, only losers.”<sup>28</sup> To this end, the government must engage in public dialogue to demonstrate the array of

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<sup>21</sup> Nikolaos Zahariadis, “A Framework for Improving Greek-Turkish Relations,” *Mediterranean Quarterly*, 99.

<sup>22</sup> *Ibid.*, 101.

<sup>23</sup> Joseph Nye, Jr., “Greece and the Balkans: A Moment of Opportunity,” in *The Greek Paradox*, 148.

<sup>24</sup> Nikolaos Zahariadis, “A Framework for Improving Greek-Turkish Relations,” *Mediterranean Quarterly*, 102.

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*, 103.

losses associated with huge military expenditures. A proactive government strategy aimed at fostering public dialogue should encourage “meetings of journalists from both sides...and joint conventions of labor leaders.”<sup>29</sup>

The final phase seeks to solidify good relations through “the signing of cooperative agreements between Greece and Turkey, and offers of ‘carrots’ by outsiders.”<sup>30</sup> Entering into such proactive cooperation treaties as joint tourist ventures will serve to cement ties between the Greece and Turkey on mutually beneficial grounds. Further, “carrots” from the EU, such as offering Turkey prospective membership, will enable Greece to play a useful role in promoting Turkey’s membership. In doing so, Greece will necessarily gain credibility with both Turkey and the EU. Thus, the future position of Greece “may be enhanced by new approaches to dealing with Turkey.”<sup>31</sup>

Positive indicators of warmer regional relations in the Balkans and with Turkey are promising signs for the future of Greece. Neighboring Balkan countries, eager to get back on their feet economically, warmly receive Greek gestures of economic cooperation, thereby encouraging regional investments by Greek business persons.<sup>32</sup> Further, Greece has publicly stated that she “favors enlargement of the EU to include Bulgaria and Romania in accordance with their stated desire.”<sup>33</sup> These forms of economic cooperation will be boosted by such infrastructural improvements as the Egnatia highway, a “road full

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<sup>29</sup> Nikolaos Zahariadis, “A Framework for Improving Greek-Turkish Relations,” *Mediterranean Quarterly*, 104.

<sup>30</sup> *Ibid.*, 105.

<sup>31</sup> Monteagle Stearns, “Greek Security Interests,” in *The Greek Paradox*, 71.

<sup>32</sup> Constantine Stephanopoulos, “Issues of Greek Foreign Policy,” in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 139.

<sup>33</sup> *Ibid.*

of history and strategic importance.”<sup>34</sup> The Egnatia highway will connect the EU countries, the Balkans and the East and “supports modernization by opening new horizons for cross border cooperation with regional markets in the Balkans...and provides communications for countries [like Turkey].”<sup>35</sup> Tensions between Greece and Turkey have relaxed since Greece re-called its veto of the EU-Turkish customs union in exchange for the European Council of Ministers’ commitment to accelerate membership negotiations for Cyprus.<sup>36</sup> This compromise will benefit both countries in the long-run because Turkey wants to become more Europeanized; Greece, in turn, has every reason to favor this since future Greek security will be largely determined by European institutions.<sup>37</sup>

These recent developments indicate a rising trend in Greek government and polity that awareness must supplant ignorance in order to effectively address future concerns. Finally, Greece is beginning to understand the interconnected nature of her security interests, international credibility and economic development. In doing so, Greece will hopefully discover the ramifications that one issue will have on another issue and, in turn, the cumulative influence of those issues on the end result. Reducing security concerns through normalized relations positively influences both international credibility and economic development. Increased international credibility assuages national insecurity by providing an allied front consisting of “soft” and “hard” power resources. A decreased reliance on “hard power” enables re-allocation of funding toward economic

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<sup>34</sup> Secretariat General of Information, *Greece: Your Strategic Partner in the New Millennium* (Athens: Ministry of Press and Mass Media, 1999), 79.

<sup>35</sup> Ibid.

<sup>36</sup> Monteagle Stearns, “Greek Security Interests,” in *The Greek Paradox*, 71.

<sup>37</sup> Ibid.

development. Economic development establishes infrastructure that facilitates regional cooperation. Economic cooperation encourages penetration of new markets. New markets increase the demand for Greek goods. Economic cooperation enhances the international credibility of Greece as a viable and competitive nation. Thus, to the varying degrees that one element affects (an)other element(s), policies must be implemented that explicitly articulate interests, but implicitly account for their ramifications on other interest areas.

Given that small countries like Greece require an exceptional combination of conduits to achieve economic growth, Greece may enjoy just such a combination of factors in the near future. Two significant events--the opening of the Athens International Airport and the upcoming Athens 2004 Summer Olympics--mark unprecedented opportunities for the development of profitable, mass tourism in Greece. Small developing countries, like Greece, who enjoy few primary resources and have a small industrial base have the potential to reap enormous benefits from tourism in the forms of much needed foreign exchange, employment and investment opportunities and its contribution to the balance of payments.<sup>38</sup>

Corresponding data on Greece indicates "the country's natural and cultural attractions make the tourist industry an important component of the Greek economy."<sup>39</sup> To this end, Greece derives 11 percent of her GDP and 11 percent of total employment from the tourist industry.<sup>40</sup> Foreign currency inflows totaling \$3,723 million in 1996

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<sup>38</sup> Martin Oppermann and Kye-Sung Chon, *Tourism in Developing Countries* (New York: International Thomson Business Press, 1997), 109.

<sup>39</sup> Secretariat General of Information, *Greece: Your Strategic Partner in the New Millennium*, 24.

<sup>40</sup> Ibid.

qualifies tourism as the most important foreign currency earner for the country.<sup>41</sup> Yet despite the acknowledged importance of tourism, the Greek government fails to provide the necessary framework for a viable tourist industry, namely, infrastructure.

Studies indicate that a pre-requisite to tourist development is the establishment or upgrading of infrastructure, including airports, railways and highways.<sup>42</sup> Typically, governments exhibit reluctance in making infrastructure investments for the sake of tourism because they fail to account for the benefit that citizens will derive from established infrastructure.<sup>43</sup> In a likewise manner, the Greek government's sluggish implementation of infrastructure projects hinders both tourists attempting to navigate the country as well as the Greek citizenry's quality of life. The following graph illustrates tourism's extensive impact on the Greek economy and the government's disproportionate investment level in this potentially profitable industry.<sup>44</sup>

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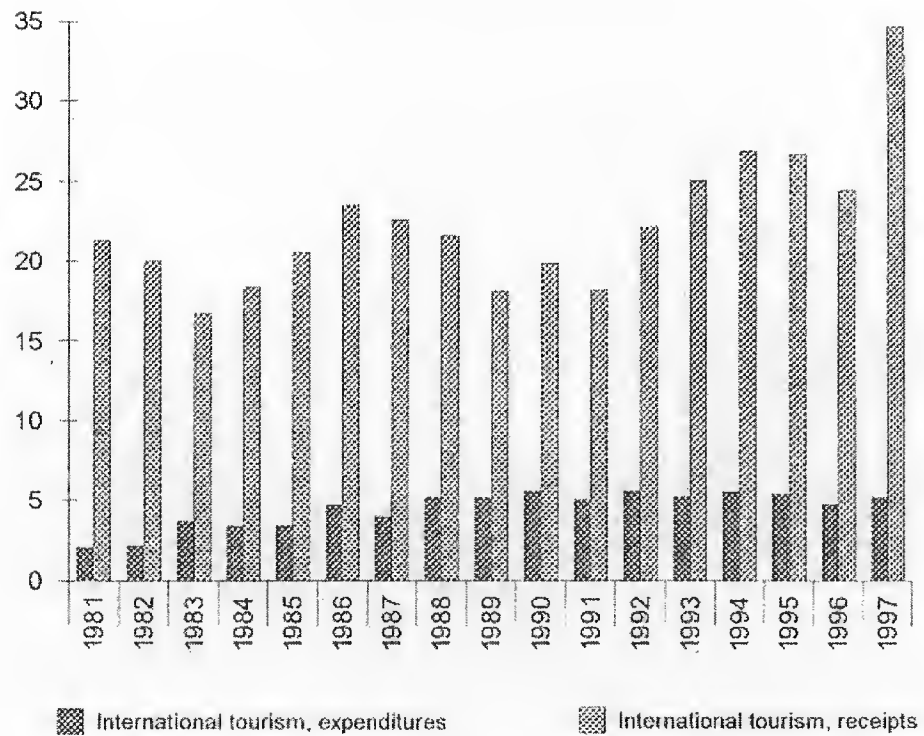
<sup>41</sup> Secretariat General of Information, *Greece: Your Strategic Partner in the New Millennium*, 25.

<sup>42</sup> Martin Oppermann and Kye-Sung Chon, *Tourism in Developing Countries*, 110.

<sup>43</sup> Ibid.

<sup>44</sup> World Development Indicators Index. World Bank, 2001. Database on-line. Available from Claremont Colleges Website.

Figure 2: Tourism Investment versus Returns



The Greek tourism product is unique in that it represents the ideal “package” for high-income, educated travelers from the world over. Research on tourism development indicates the level of expectations tourists have for their visit to Greece as follows:

Whatever country aspires to attract mass tourism is forced to provide facilities on a level commensurate with the expectations of the tourists from those countries. [Hence], a tourist infrastructure of facilities based on Western standards has to be created even in the poorest of countries.<sup>45</sup>

<sup>45</sup> Martin Oppermann and Kye-Sung Chon, *Tourism in Developing Countries*, 171.



Infrastructure conditions have barely improved and Greece faces the task of reorienting public expenditures toward modernization of infrastructure.<sup>46</sup> To this end, if Greece devoted EU funds that comprise 5 percent of her GDP to infrastructure investments then this would augment the development of mass tourism.<sup>47</sup> Without such investment, the expectations of many Western visitors will be disappointed which, in turn, will elicit a negative impression of Greece that could prove a detrimental to future tourism potential.<sup>48</sup>

One positive step in the right direction is the opening of the new Athens International Airport. The new airport will increase Greece's capacity to manage mass tourism effectively since most tourists arrive by plane.<sup>49</sup> Thus, flight capacity and connectivity are among the most influencing variables in tourism.<sup>50</sup> To this end, the new airport will serve up to 16 million passengers per year on parallel runways and on 15 baggage claims.<sup>51</sup> Athens badly needs a new airport, especially one that can accommodate high levels of tourist traffic requiring more than two baggage claims.

To a large degree, the Greek government deserves credit for this investment in infrastructure. Tourism development studies indicate that government ventures into the tourist industry give development a direct boost.<sup>52</sup> Oftentimes, such ventures are undertaken by governments in an effort to guide the private sector in a certain direction and with the hope that private entrepreneurs will follow suit. The Athens International

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<sup>46</sup> Kostas Vergopoulos, "Regionalism and Stabilization: The Case of Greece in the EC," in *Greece Prepares for the Twenty-first Century*, ed. Dimitri Conostas and Theofanis G. Stavrou (Washington D.C.: The Woodrow Wilson Center Press, 1995), 134.

<sup>47</sup> *Ibid.*, 142.

<sup>48</sup> Martin Oppermann and Kye-Sung Chon, *Tourism in Developing Countries*, 3.

<sup>49</sup> *Ibid.*, 22.

<sup>50</sup> *Ibid.*

<sup>51</sup> Secretariat General of Information, *Greece: Your Strategic Partner in the New Millennium*, 78.

<sup>52</sup> Martin Oppermann and Kye-Sung Chon, *Tourism in Developing Countries*, 21.

Airport represents just such a venture involving the Greek public sector (55 percent shares) and a group of private companies led by Hochtief AG (36 percent of shares) and ABB Calor Emag Schaltanlagen (5 percent of shares).<sup>53</sup> The new Athens Airport will serve a critical function at the 2004 Olympic Games as “the biggest gateway into the country by numbers.”<sup>54</sup> Since all arrivals and departures will originate from the new airport and since arrival and departure will be the first and last impression of Greece for those attending the Games,<sup>55</sup> it is all the more important that the experience be both safe and easy.

As is the case with so many aspects of modern Greece, the performance of Greece in preparing for the Games does not match up with their heralded promise. The “magical side of the Games”<sup>56</sup> can only emerge, points out International Olympic Committee (IOC) chairman Denis Oswald, “if the basic requirements of infrastructure are met...if the athletes are transported properly.”<sup>57</sup> Delays in the early stages of construction have given rise to concerns regarding whether the dozens of construction projects scheduled will be completed by deadline. The Athens 2004 Organizing Committee issued repeated pleas to the government regarding construction delays, decrying “It is clear: we need infrastructure and cannot afford delays. The government must construct the foundation for a great Olympic games.”<sup>58</sup> IOC has backed these pleas with their own appeals to logic, pointing out that “If you do not have the road to go to the best technical institution,

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<sup>53</sup> Secretariat General of Information, *Greece: Your Strategic Partner in the New Millennium*, 79.

<sup>54</sup> *Memorandum of Understanding Between Athens 2004 and Athens International Airport*. (Athens: Athens 2004 Committee, 2001) Available on-line. Available from [athens.olympic.org](http://athens.olympic.org).

<sup>55</sup> Ibid.

<sup>56</sup> *Address of Denis Oswald*. (Athens: Athens 2004 Committee, 2001) Available on-line. Available from [athens.olympic.org](http://athens.olympic.org).

<sup>57</sup> *Address of Denis Oswald*.

<sup>58</sup> *Statement of Gianna Angelopoulos-Daskalaki*. (Athens: Athens 2004 Committee, 2001) Available on-line. Available from [athens.olympic.org](http://athens.olympic.org).

the best stadium, obviously it is not useful.”<sup>59</sup>

This is a time of participation and celebration for our nation. The 2004 Olympic Games are a homecoming, recalling our ancient traditions, the revival of the Games here in Greece, and our historic devotion to Olympic ideals and peace. This homecoming will give the Greek people our chance to show the entire world the strength of modern Greece.<sup>60</sup>

Prime Minister Kostas Simitis identifies the Games as a project of national importance that will bring manifold benefits to the country. First, they will contribute to Greece’s modernization, to the benefit of tourists and citizens alike.<sup>61</sup> Second, they will enhance the country’s competitiveness within the international community by revitalizing economic sectors, like tourism, that have failed to capture government attention until this monumental event.<sup>62</sup> Third, the Games will promote Greece’s international prestige and image in the hopes that visitors to the Games will return for future visits to Greece.<sup>63</sup> Further, PM Simitis identifies the opportunities provided by the Games as an impetus for restructuring the image and functionality of greater Athens.<sup>64</sup>

The Olympics will symbolize a new identity for Greece that will be unveiled with the arrival of the first tourists. The blending of tradition and modernity in the context of the Olympic Games will foster integration of these opposing paradigms. The integration of these paradigms and their corresponding cultural pairs—tradition and modernity, native and Western—leads to the development of an enduring national identity that will

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<sup>59</sup> *Address of Denis Oswald.*

<sup>60</sup> *Statement of Gianna Angelopoulos-Daskalaki.*

<sup>61</sup> *Address of Prime Minister Simitis.* (Athens: Athens 2004 Committee, 2001) Available on-line. Available from [athens.olympic.org](http://athens.olympic.org).

<sup>62</sup> *Ibid.*

<sup>63</sup> *Address of Prime Minister Simitis.*

<sup>64</sup> *Ibid.*

neither abandon history nor reject the present nor ignore the future. To the extent that Greece still wishes to elicit sympathy for her historical plight, steps may be taken to communicate the pains and woes of modern Greek history to visitors on a cultural level.<sup>65</sup> In telling her “story” Greece must necessarily combine the accomplishments of history with a vision for the future.<sup>66</sup> The Games will honor past Greek history while simultaneously demonstrating the country’s future potential to the rest of the world, thereby embodying “the Olympics of a modern and powerful Greece, the Olympics of all Greeks.”<sup>67</sup>

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<sup>65</sup> Basilios E. Tsingos, “Greece between Yesterday and Tomorrow,” in *The Greek Paradox*, ed. Graham T. Allison & Kalypso Nicolaidis (Cambridge: The MIT Press, 1997), 100.

<sup>66</sup> Andreas Moschonas, “European Integration and Prospects of Modernization in Greece,” *Journal of Modern Greek Studies*, 327.

<sup>67</sup> *Address of Prime Minister Simitis.*

## **CHAPTER 6:**

### **Conclusion**

At present, the Achilles paradox shows marked decline in its relevance to Greece's future. True, promise may not yet be on par with performance but the disparity narrows with each passing year. Since her inception into the Western world that accompanied EU membership, Greece's outlook broadens with increasing international exposure. This emerging sense of reality will eventually culminate in a national paradigm shift toward a world-view that incorporates Greece as a key player, both from the Greek (insider) perspective and from the global (outsider) perspective. Greek development is progressing toward the critical juncture whereby parity will supplant paradox; modernity will supplant tradition; and integration will supplant isolation. But this requires Greece to have confidence in both her abilities and those of others.

Modern Greece cannot achieve the standards set by Ancient Greece. As a result, Ancient Greek history cleaves the country; some Greeks view the Acropolis as "a pile of stones" while others consider it "our greatest accomplishment." Likewise, Modern Greek history inhibits the country's development; some Greeks ignore the past 500-year history while others rely on it. Essentially, the curse of history afflicts Greeks and greater Greece with identity crises. Greeks cannot reach consensus on either the import of who they were in the past or, in general, the relevance that any history bears on who they are

today. The result of this tension manifests itself in the dichotomous elements that influence Greece's developmental progress toward achieving her future potential.

In centuries past, Greece largely identified herself as a victim; either the conquered empire and/or the patron state of powerful nations. Until the latter half of the 20<sup>th</sup> century, a homogenous national identity was easily created under the banner of historical victimization. The advent of global interdependence following the Cold War, however, marks the declining relevance of historical differences and the rising import of enduring national and international identities. Unfortunately, Greece didn't begin to discover the extent of this new reality until she re-discovered democracy and entered the international arena in 1974. Since Greece may be considered relatively new to the global game of interdependence, she must struggle to both catch-up and keep-up.

The new millennium marks a window of opportunity for Greece to emerge regionally as a key player and internationally as a viable European nation. Seizing this opportunity, however, will be a challenge. The first decade of the new millennium marks a potentially significant period in Greek development. Her entry into the EU presents relentless opportunities for European integration and economic development. The slated completion of infrastructure projects could spurn regional development as well as tourist development. The unique international ties of Greece vis-à-vis her neighbors represent a comparative advantage enabling Greece to assume a leadership role in normalizing relations. Finally, Athens 2004 Olympic Games could unveil to the world both the glory and the story of modern Greece. Yet Greece remains vulnerable in one area, security.

Insecurity is Greece's *Achilles heel*, which remains inflamed due to geographical irritants. Her proximate location to Turkey, in particular, impairs the healing process of

historically inflicted wounds. As a result, Greece perpetually engages in emotionally driven defense spending that hobbles developmental progress in vital areas; most notably, the cost of hyper-security spending is offset by hypo-infrastructure investment. The ramifications of this spending trend are felt directly by Greek people but extend worldwide as foreign tourists visit Greece.

The race is on to determine Greece's ability to mend her Achilles heel in sufficient time to catch-up with the world and win the first race in 2004. Athens 2004 will introduce modern Greece to the world, revealing both her triumphs and her tribulations. An Olympic triumph would build national and international confidence while failure could prove detrimental to both. Greece must win this first race for the sake of national identity and international prestige. Olympic visitors may depart dazzled or dazed, impressed or irritated, informed or ignorant, all dependent on whether they are introduced to Greek paradox or Greek potential.

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